



COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

APPROVED SUMMARIZED MINUTES

Thursday, February 9, 2017

4:00 P.M.

Kiva Conference Room

3939 N. Drinkwater Blvd., Scottsdale, AZ 85251

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- RESENT:** Mayor W.J. "Jim" Lane
Councilwoman Linda Milhaven
Councilman David Smith
- STAFF:** Danielle Casey, Economic Development Director
Rachel Smetana, Mayor's Chief of Staff, Mayor & Council Support
Christian Green, Economic Development Manager
Robert Tunis, Economic Development Manager
Ryan Taggart, Economic Development Intern
- GUESTS:** Brad Smidt, Senior Vice President, Greater Phoenix Economic Council

Call to Order/Roll Call

Mayor Lane called the regular meeting of the Council Subcommittee on Economic Development to order at 4:02 p.m. A formal roll call confirmed members present as stated above, noting the presence of a quorum.

1. Approval of December 8, 2016 Minutes

COUNCILWOMAN MILHAVEN MOVED TO APPROVE THE MINUTES OF THE DECEMBER 8, 2016 MEETING OF THE COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT AS PRESENTED. COUNCILMAN DAVID SMITH SECONDED. THE MOTION CARRIED BY A UNANIMOUS VOTE OF THREE (3) TO ZERO (0).

2. Greater Phoenix Economic Council Annual Update

Brad Smidt, Senior Vice President, Greater Phoenix Economic Council (GPEC), said GPEC represents 23 cities in Maricopa County as well as 170 private sector investors. GPEC has been involved in bringing over 150,000 jobs and over \$12 billion in investment to the area over the last two decades. Market data analysis is used to provide companies with the information they need to consider a move to the Phoenix area. Arizona compares very favorably to competitors like California, Dallas, Salt Lake City, and others. GPEC also continues to grow its ability to help international companies expand into the Phoenix area. Companies considering a move to Arizona are put into contact with local educators to learn about the area's talent pool. GPEC works very closely with communities on site selection. Staff also showcases the value that these projects bring to member communities and surrounding areas.

Councilman Smith inquired whether the growth statistics Mr. Smidt cited included companies that decide to relocate on their own without GPEC help. Mr. Smidt said the numbers only include projects that GPEC has worked directly with.

Mayor Lane inquired whether Scottsdale has access to GPEC's economic impact analysis data. Mr. Smidt responded that data is generally available on the website, but customized reports can be created on demand. Danielle Casey, Economic Development Director, added that city staff uses a fairly simple in-house economic impact model for general uses, but GPEC makes more robust information available upon request for specific projects.

Mayor Lane asked whether it would be possible for a prospect business to go to the Scottsdale website to access data that would help them evaluate the economic advantages of moving to Scottsdale. Ms. Casey noted that such an approach could be problematic because if researchers plug in the wrong information or make incorrect assumptions, their results could be inaccurate. The Scottsdale website will, however, offer a cost of living index calculator. Mayor Lane felt that a few other general competitiveness indicators could be easily applied as well, such as comparative corporate income and property tax rates.

Councilman Smith inquired whether GPEC has established a target for the total job impact it is trying to attract. Mr. Smidt responded that GPEC's recruitment effort establishes goals for both overall jobs created and the number of high wage jobs created. The average of all high wage jobs was about \$71,000 per year. Ms. Casey added that benchmarks are set and approved by the GPEC Board of Directors and are also included in contracts. Councilman Smith asked whether GPEC works with any business that expresses an interest in moving, or does it specifically target businesses to convince them to move. Mr. Smidt explained that GPEC works with businesses that make the initial contact, but also researches companies and engages in outbound messaging where appropriate.

Mayor Lane said Scottsdale noted that different employers are looking for different markets, and Scottsdale might not be suitable for some companies' needs. Mr. Smidt responded that there are a wide variety of opportunities for different companies throughout the Phoenix metro area, and what might not work in one community is perfect for another. If a good company comes along with a set capital investment, GPEC will work with them, because the chances are high that there is a good opportunity somewhere in the market.

Councilwoman Milhaven said job diversity is important for a robust economy. Councilman Smith noted that about two-thirds of the people who work in Scottsdale live in other communities, and cautioned that importing a greater share of labor would compound some of the other issues that the city faces. He asked whether new Scottsdale jobs would be filled by people living in Scottsdale, or would they just cause more morning inflow and evening outflow. Ms. Casey responded that GPEC does a great job of working with communities to understand what their individual points of focus are. Mayor Lane said the hope is that new employees will live in Scottsdale, but it is important to have appropriate housing available to them as well. Scottsdale has been working to reduce the high percentage of people who have historically commuted into the community for work. Councilman Smith said he would like to see an analysis of whether the housing being created in Scottsdale works to solve that problem. Mr. Smidt stated that for every dollar the City of Scottsdale invests into GPEC, it receives a benefit 62 times that amount (62:1). The consumer spending generated by Scottsdale jobs is over \$200 million, and the direct revenue is about \$27.3 million. Councilman Smith said relocating companies consider a multitude of factors when making their decision, so he challenged the notion that any one single entity, including GPEC, would be able to claim all the credit for attracting a company. Mr. Smidt offered to share with city staff the model that GPEC used to arrive at that figure.

Mr. Smidt reported that GPEC met all of its stretch goals on metrics that were tracked last fiscal year. The number of media impressions generated in FY2016 was a little over 444 million. Through the first six months of the current fiscal year, over 309 million impressions have been

generated. About 32% of new prospects are coming from California, especially in high wage technology and advanced manufacturing industries. Staff is working with cities to help them be as competitive as possible when it comes to attracting the types of employers GPEC is looking to move here. Workforce development efforts are offered to help meet the needs of current and future industries. There are about 240 prospects in the pipeline. Mr. Smidt said the majority of office prospects relocating are smaller in size, which provides great opportunities for cities like Scottsdale that do not have large properties available on the market.

3. Cure Corridor Event Update

Christian Green, Economic Development Manager, presented a summary of the Fourth Annual Cure Corridor Event. This event happens in the first week of December each year. This year it expanded to hold over 300 people. Typically the event features four to five speakers from Scottsdale-based firms, followed by a prominent keynote speaker from the industry. The Cure Corridor initially focused on Shea Boulevard, but has come to encompass the area between Loop 101, Scottsdale Road and SkySong as well. Event expenses were reduced by \$10,000 this year as the result of a venue change, while ticket revenue increased. Ms. Casey said the Chamber of Commerce was added as a partner, which greatly expanded the direct reach to businesses and interested parties without having to pay for advertisements. The event was paid for entirely by sponsorships and ticket revenue. They generated a surplus this year, \$4,000 of which was donated to Business United for Scottsdale Schools. The social media impressions doubled in comparison to previous years, as did the press exposure.

Mr. Green stated that on March 31, an event focusing on medical tourism will be held at Mayo Clinic with the keynote speaker Lisa Clarke. This will be a smaller event for key stakeholders in Scottsdale, but it will be recorded for the public. Mayo Clinic in Rochester has established some best practices that could be put in place in Scottsdale. Mayor Lane said the Cure Corridor concept has anecdotally had a very positive effect on getting companies to involve Scottsdale in their decision making.

4. Business Retention and Expansion Update

Robert Tunis, Business Retention Manager, explained that Scottsdale has had tremendous success when it comes to job creation, sometimes outperforming the nation and the region by 20% to 30%. Scottsdale's Business Retention and Expansion (BRE) program started in 2013. BRE's main role is to get to know Scottsdale companies and to discover what the current trends are. If a certain sector is declining, efforts are made to offset the decline or find a replacement. Key Scottsdale sectors are innovation and technology, bio tech and bio life sciences, and advanced business services. Scottsdale companies are in a healthy growth trend. As they expand, BRE works to ensure that they stay in Scottsdale.

Mr. Tunis said the local growth has been due to the widespread availability of venture capital and new technologies that emerged after the recession. There are two types of tech companies in Scottsdale: homegrown companies and companies that have moved to the area from out of state. The market began to shift in 2015 as venture capital companies started reining in their clients, and some companies that had ballooned in previous years began reducing their staff by 10 to 20 percent. By the end of 2016, the situation again reversed, as companies resumed hiring. The number of tech sector jobs in Scottsdale has grown 30.2% in four years, compared to 11.9% growth nationally, and is now up to 10,667 workers. Over the same period tech jobs in Phoenix grew by 18.2%.

Mr. Tunis said that when the tech sector was slowing in 2016, the advanced business services sector and financial sectors were undergoing substantial expansion. The finance sector had recovered from the recession, and companies were looking to diversify westward. The Greater Phoenix region has become the preferred destination for a number of these expansion opportunities. Existing firms such as Vanguard, Nationwide and Quicken Loans are expanding, while new companies such as Hartford, Learnvest, APL Logistics and Accolade have moved into the market. Financial companies are less volatile than tech companies and the new jobs are more stable. Mr. Tunis saw no reason the current hiring trend will not continue for at least the next two years. Scottsdale is recognized as being the center for excess & surplus insurance in the nation. The local insurance workforce has grown 46% in the past four years.

Mr. Tunis said the biomedical/bioscience and healthcare sector is the most stable of the three target industries. There have been no massive trends either positive or negative, but growth has been steady and healthy. Some firms are holding off expansion plans until the Affordable Care Act situation is clarified. Scottsdale's workforce in the sector has grown 13.5% over the past four years.

Mr. Tunis explained that BRE spent its first year calling companies to find out what their concerns were. As a result of these discussions, much effort has been spent in out-of-state talent attraction. BRE also provides assistance in attracting and onboarding new staff, matching laid off employees with other Scottsdale companies, and providing investment intelligence. Ms. Casey stated that encouraging the development of new office real estate product in the market will help companies that want to expand stay in Scottsdale.

5. Economic Development Department Report

Danielle Casey, Economic Development Director, introduced Ryan Taggart who will be working in a research capacity for the department as an intern. He is also a student at ASU's Masters of Real Estate Development Program.

Ms. Casey reported that Scottsdale is pursuing accreditation as an economic development organization through the International Economic Development Council. There are only 50 accredited organizations in the U.S. and only one other in Arizona. The application was very extensive and required reporting on 19 different information points. The IEDC will be making a visit to Scottsdale in March to meet with stakeholders and verify information. Accreditation would recognize that Scottsdale has a best in class economic development operation.

Phoenix Startup Week is back for a third year. The free five-day event will take place in five different locations in the Valley, including the Quad in Scottsdale. The event will connect thousands of startups and Valley business leaders so they can learn from each other and grow the market.

Ms. Casey said ED is conducting a perception survey to get feedback from the business community on how well Scottsdale is addressing their needs. Responses are being collected by Mindsuite, and about 70 responses have been received so far.

The second quarter Economic Development Report for FY 2016/17 is available online and includes information regarding strategic marketing, claims and locales, business retention efforts, and results of activities and events. The Small Business Training Series will relaunch in May of 2017. Planning is underway for a Scottsdale presence at the 2017 South by Southwest

Job Market in Austin in March. The Wings and Wheels event put on by the Canada Arizona Business Council event drew more than 900 registrants to the Airpark.

Scottsdale ED is partnering with Salt River Project to promote Arizona and Scottsdale during the event season with a \$16,000 campaign funded by SRP. Their powertogrowphx.com website will link up to the choosescottsdale.com website.

6. Open Call to the Public

There were no public comments.

7. Future Agenda Items

None.

ADJOURNMENT

With no further business before the Subcommittee, the meeting adjourned at 3:57 p.m.

Respectfully submitted,
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